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RR RUEHROV
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FM AMEMBASSY KHARTOUM
TO RUEHC/SECSTATE WASHDC 5952
INFO RUCNIAD/IGAD COLLECTIVE
RUEHFSC/USOFFICE FSC CHARLESTON 0268
RUEATRS/DEPARTMENT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KHARTOUM 000146

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FOR AF/SPG, AF/EPS, AND EB/IFD/OMA
TREASURY FOR OFFICE OF AFRICA
PLEASE PASS TO USAID FOR AFR
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E.O. 12958: N/A
TAGS: EFIN ECON PGOV AFIN AMGT PREL EAID SU
SUBJECT: Sudan's New Currency

¶1. Summary: Commencing January 9, Sudan started phasing in its new national currency, the pound, as a major step in implementing the North-South Comprehensive Peace Agreement (CPA) and in promoting national unity. The par value is one pound per 100 dinars; the pound is subdivided into 100 piasters. The currency will be phased in from January through June 2007, with the dinar no longer a valid currency as of September 1, 2007. The phase-in focuses on Southern Sudan, and starts with 1, 5, and 10 pound notes. Other denominations and coinage will follow. The process seeks to take other currencies out of circulation and facilitate economic growth in the South. End summary.

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1 Pound Equals 100 Dinars; 1 Pound Equals 100 Piasters
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¶2. Initial denominations released are 1, 5, and 10, with 2, 20, and 50 pound notes (and coins) to be released later. One pound equals 100 dinars, and one pound is subdivided into 100 piasters. To date, however, only about 10 percent of the banknotes have been printed despite the initiation of the currency phase-in; IMF guidelines call for a 50 percent rate at commencement.

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New Currency Origins in North-South Peace Agreement
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¶3. Under the Wealth Sharing Protocol of the CPA, Republican Decree No. 275 for 2006, and the approved amendment of Article (19) of the Law of the Central Bank of Sudan (CBOS), Dr. Sabir M. Hassan, Governor, announced the circulation of the new Sudanese currency, the pound, through the official banking channels starting on January 9, 2007. The replacement process will focus initially on Southern Sudan in an effort to replace the multiple currencies in use there - the U.S. dollar, Ethiopian birr, Kenyan shilling, Ugandan shilling, Sudanese dinar, and old Sudanese pound. Replacing these currencies is expected to facilitate economic expansion in Sudan's growing post-war South. An extensive public information campaign is underway, especially throughout the South, to introduce the new currency and encourage currency substitution for the new pound.

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Donor Support Key to Underwrite Associated Costs
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¶4. The currency conversion will cost an estimated $154 million. Although the GNU has used current revenues to cover costs so far, donors and grants from the Multi-Donor Trust Fund are expected to cover roughly one-half the overall costs. The approximate cost breakdown includes banknote procurement $59 m, currency exchange implementation $58 m, coin design and procurement $22 m,

precautionary contingency reserve $14 m, banknote design and plate production $874 k, and accountability $304 k.

Lengthy Phase-in Anticipated

¶5. The CBOS announced simultaneous circulation of the new and old currencies to ensure smooth replacement without congestion or crowding during the replacement period, which is expected to take six or seven months. New currency will be phased in from January 9, 2007 through May 30, 2007, focusing on the Southern states. During the first 90 days, 23 substitution centers will operate in Southern states for African currencies and the old Sudanese pound; from June 1, 2007 through June 30, 2007, dinar substitution centers will operate in all states in both the North and South as well as banks. These substitution centers will close on June 30, 2007, with substitution thereafter through July 31, 2007, permitted only through the Central Bank, its branches, and commercial branches. From August 1 - 31, 2007, substitution will be limited to the Central Bank and its branches; on September 1 the dinar will be null and void, with no substitution permitted.

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Many Currencies of Neighboring Countries in Use
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¶6. Elija Malok, Deputy Governor of the CBOS and Governor of the CBOSS, stated that replacement of the currency might take over a year and a half to be completed. The size of currencies circulating in the South is estimated at roughly $80 million, according to the local survey committee working with the IMF. A delegation from the CBOS and the CBOSS will visit neighboring countries (Ethiopia, Kenya, and Uganda) to discuss ways of withdrawing their currencies from Southern Sudan. The conversion rate for foreign currencies in

the South is set at 1 Ethiopian birr equals 0.286 pounds, 1 Kenyan shilling equals 0.028 pounds, and 1 Ugandan shilling equals 0.001 pounds.

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